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DAN E. ARNETT
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178804

April 6, 2006

VIA ELECTRONIC FILING AND HAND DELIVERY

Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of FRC, LLC, for a Certificate of Public Convenience and Necessity
to Provide Intrastate Telecommunications Services as a Carrier's Carrier
Docket No. 2006-42-C

Dear Mr. Terreni:

Enclosed for filing please find the original and one copy of the Settlement Agreement reached by the parties in the above referenced matter. The Settlement Agreement was also filed pursuant to the Commission's e-filing procedures. Please note that the attached Settlement Agreement is an exact duplicate, with the exception of the form of the signatures, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions. Please date stamp the extra copy enclosed and return it to me in the envelope provided.

By copy of this letter we are also serving all other parties of record. Thank you very much for your assistance, and please let me know if you have any questions.

Sincerely,

Shannon Bowyer Hudson

Shannon Bowyer Hudson

SBH/pjm
Enclosure

cc: M. John Bowen, Jr., Esquire
Sue-Ann Gerald Shannon, Esquire

**This Document Is An Exact Duplicate, With The Exception Of
The Form Of The Signature, Of The E-Filed Copy Submitted
To The Commission In Accordance With Its Electronic Filing
Instructions**

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-42-C

April 6, 2006

RECEIVED
2006 APR -6 PM 4:39
SOUTH CAROLINA
PUBLIC SERVICE COMMISSION

IN RE:

Application of FRC, LLC for a)	
Certificate of Public Convenience)	
and Necessity to Provide Intrastate)	
Telecommunications Services)	
As a Carrier's Carrier)	
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SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and FRC, LLC ("FRC" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, on January 26, 2006, the Company filed its application requesting a Certificate of Public Convenience and Necessity to provide intrastate telecommunications services as a carrier's carrier via points of presence throughout the State of South Carolina;

WHEREAS, the Company also requested in its application to maintain its financial books and records according to the Generally Accepted Accounting Principles ("GAAP") rather than the Uniform System of Accounts ("USOA") so that it would not have to maintain two sets of books;

WHEREAS, FRC will provide service only to certificated carriers in South Carolina (as opposed to end users) via point-to-point service where facilities are available

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for the transmission of data signals, using a combination of coaxial, fiber optics and microwave;

WHEREAS, FRC is comprised of two member companies certificated in the State of South Carolina, PalmettoNET, Inc. and SCANA Communications, Inc., with PalmettoNET, Inc. operating as the manager of the Company;

WHEREAS, on February 6, 2006, the Public Service Commission of South Carolina (the "Commission") issued a Notice of Filing and Hearing and set return dates for March 9, 2006 in the above captioned matter, which is scheduled to be heard before a Hearing Examiner on April 10, 2006;

WHEREAS, on March 8, 2006 FRC filed with the Commission Proofs of Publication of Notice in the following newspapers of general circulation: *The Charlotte Observer*, *The Greenville News*, *The (Greenwood) Index-Journal*, *The State*, *The (Charleston) Post and Courier*, and the *(Myrtle Beach) Sun News*;

WHEREAS, no party filed a Petition to Intervene in this matter;

WHEREAS, on March 20, 2005, FRC pre-filed verified testimony of Terry R. Metze, Jr. with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by the Company and its request for a Certificate of Public Convenience and Necessity;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide such services;

WHEREAS, ORS has reviewed the application and the financial data provided by the Company, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by the Company;

WHEREAS, ORS has reviewed the proposed tariffs submitted by the Company;

WHEREAS, as a result of its review, ORS has determined a) the Company intends to provide intrastate service for interLATA and intraLATA service between two points in the State of South Carolina to certificated carriers in South Carolina; b) the Company will not provide service to end users; c) the Company will provide point-to-point service where facilities are available for the transmission of data signals, using a combination of coaxial, fiber optics and microwave; d) the Company will conduct its operations through its manager, PalmettoNET, Inc. and will use a combination of its own facilities and those of PalmettoNET, Inc. to provide service; e) the managers of PalmettoNET, Inc. possess sufficient technical and managerial abilities to adequately provide the services applied for; f) based upon the information provided and the analysis performed, the Company appears to have the financial resources necessary to provide the services proposed in its application; g) certain revisions have been made to the Company's proposed tariffs in order to comply with Commission statutes and regulations; h) the services provided by the Company will meet the service standards required by the Commission; i) the Company asserts it will provide reliable service, route diversity, and competitive prices to South Carolina telecommunications carriers, thereby ultimately benefiting consumers in South Carolina; and j) the Company offers its services in accordance with individual contracts negotiated with customers pursuant to the terms prescribed in its tariff.

WHEREAS, the Parties have agreed to the following comprehensive settlement of all issues in this docket, and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed and verified testimony of FRC Witness Terry R. Metze, Jr.;

2) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide intrastate telecommunications services as a carrier's carrier within the State of South Carolina;

3) ORS does not oppose the Company's request for waiver of any Commission rules or policies requiring a carrier to maintain its financial records in conformance with the USOA so that the Company can continue to keep its financial books and records according to GAAP;

4) The Company agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, annual reporting and/or gross receipts reporting and remit fees as applicable and appropriate;

5) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and

maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

6) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein;

7) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation;

8) This Settlement Agreement shall be interpreted according to South Carolina law;

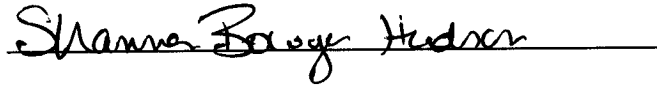
9) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his

or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

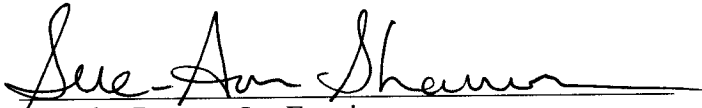
Representing the Office of Regulatory Staff

A handwritten signature in black ink, reading "Shannon Bowyer Hudson", is written over a solid horizontal line.

Shannon Bowyer Hudson, Esquire
Office of Regulatory Staff
Post Office Box 11263
1441 Main Street (Suite 300)
Columbia, SC 29211
Phone: (803) 737-0889
Fax: (803) 737-0895
Email: shudson@regstaff.sc.gov

WE AGREE:

Representing FRC, Incorporated

A handwritten signature in black ink, reading "Sue-Ann Shannon", written over a horizontal line.

M. John Bowen, Jr., Esquire
Sue-Ann Gerald Shannon, Esquire
McNair Law Firm, P.A.
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1301 Gervais Street
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